

CITY OF LAKE ANGELUS, MICHIGAN

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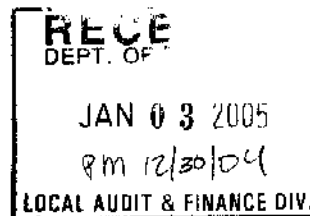
Report on Audit of Accounts

June 30, 2004

JANZ & KNIGHT
A PROFESSIONAL LIMITED LIABILITY COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
BLOOMFIELD HILLS, MICHIGAN

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.



Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Lake Angelus		County Oakland
Audit Date June 30, 2004	Opinion Date August 30, 2004	Date Accountant Report Submitted to State. December 29, 2004		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

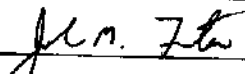
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGR).			X

Certified Public Accountant (Firm Name) Janz & Knight, P.L.C.			
Street Address 300 East Long Lake Road, Suite 360		City Bloomfield Hills	State MI
Accountant Signature 		ZIP 48304-2377	Date December 29, 2004

CITY OF LAKE ANGELUS, MICHIGAN

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JANZ & KNIGHT, P.L.C.

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50
YEARS
1954-2004

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INDEPENDENT AUDITOR'S REPORT

The City Council
City of Lake Angelus, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Lake Angelus, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Lake Angelus, Michigan, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lake Angelus, Michigan, as of June 30, 2004 and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 8, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2004.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Very truly yours,

Janz & Knight, P.L.C.

Certified Public Accountants

Bloomfield Hills, Michigan

August 30, 2004

CITY OF LAKE ANGELUS, MICHIGAN

June 30, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Lake Angelus's (the City) management's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), identify significant variances from the approved budget, and identify individual fund issues or concerns.

Using this Annual Report

The City's annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than government-wide financial statements.

Government-Wide Financial Statements

The government-wide financial statements consist of the Statement of Net Assets and Statement of Activities. They are designed to be corporate-like in that all governmental and business-type funds are consolidated into columns which add to a total for the primary government. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are also taken into account regardless of timing of cash being paid or received.

The City as a Whole

Net Assets - The City's combined net assets were \$2,267,712 at the close of the year ended June 30, 2004. This represents an increase of \$69,648 or a 3% increase from a year ago. This was result of current year capital acquisitions. These acquisitions are being financed by current year revenues. The costs however, will be spread over the life of the capital asset as depreciation.

Since this is the first year the City has presented government-wide financial statements, comparisons to the prior year have not been presented. In future years, when prior year information is available, a comparative analysis of government-wide data will be included.

The following table reflects the condensed Statement of Net Assets for the year ended June 30, 2004:

Table 1
Statement of Net Assets

ASSETS	Governmental Activities
Current and other assets	\$ 830,938
Capital assets	<u>1,473,937</u>
Total assets	<u>\$ 2,304,875</u>
LIABILITIES AND NET ASSETS	
Current and other liabilities	\$ 37,163
Net assets:	
Invested in capital assets	1,473,937
Restricted	122,009
Unrestricted	<u>671,766</u>
Total net assets	<u>\$ 2,267,712</u>
Total liabilities and net assets	<u>\$ 2,304,875</u>

Unrestricted net assets are net assets that can be used to finance day to day operations. Restricted net assets of the City totaled approximately \$122,000. These net assets have limitations on their use that were imposed by restrictions such as enabling legislation, grant or bond covenants. The investment in capital assets represents the City's capital assets that provide services to citizens; accordingly, these assets are not available for future spending.

CITY OF LAKE ANGELUS, MICHIGAN

June 30, 2004

The following table shows the changes in net assets for the year ended June 30, 2004:

Table 2
Changes in Net Assets

	Governmental Activities
Program Revenue:	
Charges for services	\$ 19,964
General Revenue:	
Property taxes	546,098
State shared revenue	40,721
Unrestricted investment income	21,200
Franchise fees	3,348
Miscellaneous	967
Consent judgment	<u>20,242</u>
Total revenue	\$ 652,540
Program Expenses:	
General government	155,434
Public safety	411,452
Public works	7,808
Recreation and culture	<u>8,198</u>
Total program expenses	\$ <u>582,892</u>
Increase in net assets	\$ 69,648
Net assets - July 1, 2003	<u>2,198,064</u>
Net assets - June 30, 2004	<u>\$ 2,267,712</u>

As shown in the above table total revenues were approximately \$653,000, of which 84% was obtained from property taxes and 6% from state shared revenue. Total expenses were approximately \$583,000, of which 72% of the City's expenses related to public safety and public works.

The City Funds

The analysis of the City's major funds begins on page 8, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The City's major funds for 2004 include the General Fund, Major Road Fund, Local Road Fund and the Improvement Revolving Fund.

The General Fund is the main operating fund of the City. Total revenues for the year were approximately \$638,000. Of this revenue, state-shared revenue accounted for 4% and property taxes 86% of the total revenue. Total expenditures for the year were approximately \$634,000. Of these expenditures, public safety accounted for 62% and capital outlay accounted for 13% of the total expenditures. At June 30, 2004 the unreserved fund balance of \$511,319 represented 81% of the total General Fund expenditures for the year.

The Major Road Fund accounts for the repairs, maintenance and construction of all City major streets. The fund balance of this fund at year end was approximately \$50,500.

The Local Road Fund accounts for the repairs, maintenance and construction of all City local streets. The fund balance of this fund and year end was approximately \$17,400.

The Improvement Revolving Fund is used to account for money advanced for future capital and emergency needs of the City. The fund balance of this fund at year end was approximately \$93,000.

General Fund Budgetary Highlights

Over the course of the year, the City Council amended the budget to take into account events during the year. Appropriation of prior year fund balance was amended in the amount of \$135,263 in anticipation of increased expenditures. The majority of these increased expenditures did not occur. With the exception of the City Council the City departments overall stayed below budget. Additional legal fees caused the City Council

CITY OF LAKE ANGELUS, MICHIGAN

June 30, 2004

General Fund Budgetary Highlights (continued):

unfavorable expenditures variance. General Fund total expenditures of \$634,227 were below the original budget amount of \$654,848 and the amended budget amount of \$790,111.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2004, the City had \$1,473,937 invested in a broad range of capital assets (net of accumulated depreciation), including land, buildings and police equipment. In addition, the City has invested in roads and related infrastructure within the City.

During the year the City added major capital assets as follows:

Fire Access Road Connections	\$71,564
Berm Improvements	36,577
Police Vehicle	9,600
Boat Ramp Improvements	4,385

Long-Term Debt

The City has no outstanding long-term debt.

Economic Factors and Next Year's Budgets and Rates

The City's 2005 budget was prepared using various economic factors as follows:

Revenues:

Property tax revenues are expected to increase by approximately \$50,000. This increase is primarily the result of a change in taxable value of property being sold or improved within the City. The millage rate for 2005 is unchanged at 9.9571.

State shared revenue is expected to be consistent with 2004 revenue amounts.

Interest income is expected to be lower than 2004 revenue amounts.

To balance the budget the City expects to use approximately \$7,500 of prior year's accumulated fund balance.

Expenditures:

Fire protection costs have been increased to reflect scheduled increases. In addition, the 2004 fire protection costs reflected an \$18,900 credit.

General and employee health insurance costs have been adjusted to reflect premium increases.

Police expenditures were increased to reflect automobile purchases of approximately \$44,000.

City Hall maintenance was increased to reflect additional improvements and repairs.

The 2005 General Fund budget expects a deficit of approximately \$7,500. Accordingly, the City is planning on using some of the prior year's accumulated reserves. The projected General Fund's unreserved fund balance at June 30, 2005 is approximately \$504,000 which represents approximately 73% of the General Fund expenditures for the year ended June 30, 2005.

Request for Information

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions or concerns about this report or need additional information, contact the Clerk's Office, at the City of Lake Angelus, 45 Gallogly Road, Lake Angelus, Michigan 48326.

CITY OF LAKE ANGELUS, MICHIGAN

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents.	\$ 724,022
Accrued interest receivable.	1,263
Due from agency funds.	420
Restricted assets - cash and cash equivalents.	105,233
Capital assets (net)	1,473,937
Total assets	<u>\$ 2,304,875</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 13,900
Deposits payable	23,263
Total liabilities.	<u>\$ 37,163</u>
NET ASSETS	
Invested in capital assets	1,473,937
Restricted	122,009
Unrestricted	671,766
Total net assets	<u>\$ 2,267,712</u>
Total liabilities and net assets	<u>\$ 2,304,875</u>

The attached notes are an integral part of the financial statements.

CITY OF LAKE ANGELUS, MICHIGAN

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Governmental Activities
Primary government:			
Governmental activities:			
General government	155,434		(155,434)
Public safety	411,452	19,964	(391,488)
Public works	7,808		(7,808)
Recreation and culture	8,198		(8,198)
Total primary government	\$ 582,892	\$ 19,964	\$ (562,928)

General revenues:	
Property taxes	\$ 546,098
State shared revenues	40,721
Interest income	21,200
Franchise fees	3,348
Miscellaneous	967
Special item - consent judgement	20,242

Total general revenue and special items	\$ 632,576
Changes in net assets	\$ 69,648
Net assets - July 1, 2003 (restated)	2,198,064
Net assets - June 30, 2004	\$ 2,267,712

The attached notes are an integral part of the financial statements.

CITY OF LAKE ANGELUS, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2004

ASSETS	General	Major Road	Local Road	Improvement Revolving	Total Governmental Funds
Cash and cash equivalents	\$ 564,050	\$ 50,576	\$ 16,817	\$ 92,579	\$ 724,022
Accrued interest receivable	1,263				1,263
Due from other funds	520		575		1,095
Restricted assets - cash and cash equivalents	105,233				105,233
Total assets	<u>\$ 671,066</u>	<u>\$ 50,576</u>	<u>\$ 17,392</u>	<u>\$ 92,579</u>	<u>\$ 831,613</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 13,900	\$	\$	\$	\$ 13,900
Deposits payable	23,263				23,263
Due to other funds	575	100			675
Total liabilities	\$ 37,738	\$ 100	\$	\$	\$ 37,838
Fund balances:					
Reserved	122,009				122,009
Unreserved - undesignated	511,319	50,476	17,392	92,579	671,766
Total fund balances	<u>\$ 633,328</u>	<u>\$ 50,476</u>	<u>\$ 17,392</u>	<u>\$ 92,579</u>	<u>\$ 793,775</u>
Total liabilities and fund balances	<u>\$ 671,066</u>	<u>\$ 50,576</u>	<u>\$ 17,392</u>	<u>\$ 92,579</u>	<u>\$ 831,613</u>

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

The attached notes are an integral part of the financial statements.

CITY OF LAKE ANGELUS, MICHIGAN

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2004

Total governmental fund balances. \$ 793,775

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not financial
resources, and are not reported in the governmental funds:

Governmental capital assets	\$1,768,774	
Less accumulated depreciation	(294,837)	1,473,937

Net assets of governmental activities. \$ 2,267,712

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

The attached notes are an integral part of the financial statements.

CITY OF LAKE ANGELUS, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2004

	General	Major Road	Local Road	Improvement Revolving	Total Governmental
Revenues:					
Current taxes	\$ 546,098	\$	\$	\$	\$ 546,098
Licenses and permits	11,730				11,730
State sources	26,875	9,954	3,892		40,721
Fines and forfeitures	8,235				8,235
Interest earnings	20,198	423	56	522	21,200
Other	24,558				24,558
Total revenues	\$ 637,693	\$ 10,377	\$ 3,949	\$ 522	\$ 652,541
Expenditures:					
General government	153,228				153,228
Public safety	396,016				396,016
Public works		40,378	4,007		44,385
Recreation and culture	3,818				3,818
Capital outlay	81,165				81,165
Total expenditures	\$ 634,227	\$ 40,378	\$ 4,007	\$	\$ 678,612
Excess of revenues over (under) expenditures	\$ 3,467	\$ (30,001)	\$ (58)	\$ 522	\$ (26,069)
Other financing sources (uses):					
Operating transfers in			2,489		2,489
Operating transfers out		(2,489)			(2,489)
Total other financing sources (uses)	\$	\$ (2,489)	\$ 2,489	\$	\$
Excess of revenues and other sources over (under) expenditures and other uses	\$ 3,467	\$ (32,490)	\$ 2,431	\$ 522	\$ (26,069)
Fund balance - July 1, 2003	629,861	82,966	14,961	92,056	819,845
Fund balance - June 30, 2004	<u>\$ 633,328</u>	<u>\$ 50,476</u>	<u>\$ 17,392</u>	<u>\$ 92,579</u>	<u>\$ 793,775</u>

The attached notes are an integral part of the financial statements.

CITY OF LAKE ANGELES, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2004

Net change in fund balances - total governmental fund. \$ (26,069)

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures;
in the statement of activities, these costs are allocated
over their estimated useful lives as depreciation:

Expenditures for capital assets	\$122,124	
Less current year depreciation	(26,407)	95,717

Change in net assets of governmental activities.	\$	<u>69,648</u>
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JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

The attached notes are an integral part of the financial statements.

CITY OF LAKE ANGELUS, MICHIGAN

STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2004

	Tax Collection Fund
ASSETS	
Cash and cash equivalents	\$ 420
Total assets.	\$ 420
LIABILITIES	
Due to other funds.	\$ 420
Total liabilities	\$ 420

The attached notes are an integral part of the financial statements.

CITY OF LAKE ANGELUS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A - Summary of Significant Accounting Policies

The accounting policies of the City of Lake Angelus conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Lake Angelus.

Reporting Entity

The City of Lake Angelus is governed by an elected seven-member Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable.

Government-Wide and Fund Financial Statements

During the year the City adopted Governmental Accounting Standards Board (GASB) Statement No. 34, which substantially revised the financial statement presentation as described below.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenues are recognized in the accounting period in which they become susceptible to accrual--that is, when they become both measurable and available to finance expenditures of the period. Property taxes, state-shared revenue, interest, reimbursement grants, and charges for services are considered to be susceptible to accrual and so have been recognized as revenue of the current period. All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

CITY OF LAKE ANGELUS, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE A - Summary of Significant Accounting Policies (continued)

Governmental Funds

The City reports the following major governmental funds:

General Fund

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Road Fund

The Major Road Fund accounts for the repairs, maintenance, and construction of all the City's major streets. The revenues consist of State-shared gasoline and weight tax collections under provisions of Act 51 of 1951 as amended.

Local Road Fund

The Local Road Fund accounts for the repairs, maintenance, and construction of all the City's local streets. The revenues consist of State-shared gasoline and weight tax collections under provisions of Act 51 of 1951 as amended.

Improvement Revolving Fund

The Improvement Revolving Fund is a special revenue fund used to account for money advanced from the General Fund in accordance with statutory provisions.

Fiduciary Funds

Agency Funds

Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Property Taxes

The City of Lake Angelus property taxes are levied on each July 1st on the taxable valuation of property (as defined by State statutes) located in the City of Lake Angelus as of the preceding December 31st.

The City is a Home Rule City with a fiscal year beginning July 1 and ending June 30. Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These property taxes are billed on July 1 of the following year. Property taxes are billed on July 1 and are recognized as revenues for the year beginning July 1. These taxes are due on August 31 and with the final collection date of February 14. Delinquent real property taxes are purchased by Oakland County from the City, and accordingly are recognized as revenue in the current year. Delinquent personal property taxes are not recorded as taxes receivable; revenues are recognized when received.

The 2003 taxable valuation of the City of Lake Angelus total \$54,560,440, on which ad valorem taxes levied consisted of 9.9571 mills for the City of Lake Angelus operation purposes, raising \$543,263. This amount is recognized in the General Fund financial statements as property taxes.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments

Deposits are carried at cost and consist of cash on hand, checking accounts, and investments in short-term investments, generally pooled investment funds. The carrying value of deposits, which includes certificates of deposit with an original maturity of three months or less, is separately displayed on the balance sheet as "cash and cash equivalents".

Receivables

In general, outstanding balances between funds are reported as "due to/from other funds" on the balance sheet.

All receivables are considered fully collectible by the City. No provision has been made in the financial statements for noncollection.

CITY OF LAKE ANGELUS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE A - Summary of Significant Accounting Policies (continued)

Assets, Liabilities, and Net Assets or Equity (continued)

Restricted Assets

According to the provisions of the consent judgment the amount received is to be set aside for environmental expenditures.

Capital Assets

Capital assets, which include land, land improvements, buildings, building improvements, vehicles, machinery, and equipment are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Infrastructure assets acquired or constructed prior to July 1, 2003 are not reported in the financial statements. There were no infrastructure assets acquired or constructed during the year ended June 30, 2004.

Capital assets that are being depreciated are reported net of accumulated depreciation in the statement of net assets. Capital assets that are not being depreciated, such as land, are reported separately.

Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the assets. Assets are depreciated on an individual basis for equipment and buildings.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings and Improvements	5-50
Vehicles	5-12
Furniture and Equipment (Police, Fire, Office)	5-20

Compensated Absences (Sick Leave)

The City has no liability for compensation absences at June 30, 2004.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance present tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

NOTE B - Accounting and Reporting Changes

GASB 34

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*. The City of Lake Angelus has applied the provisions of this statement in the accompanying financial statements (including the notes to financial statements). The City has elected to implement the general provisions of the statement in the current year. Certain significant changes in the statement include the following:

1. A management's discussion and analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
2. Financial statements prepared using full accrual accounting for all of the City's activities.

CITY OF LAKE ANGELUS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE B - Accounting and Reporting Changes (continued)GASB 34 (continued)

3. A change in the fund financial statements to focus on the major funds.
4. Capital assets at July 1, 2003 previously reported in the General Fixed Assets Account Group have been adjusted by approximately \$1,388,000 to reflect the historical cost of the City's capital assets at that date.

NOTE C - Expenditures Over BudgetBudgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue Funds. All annual appropriations lapse at year end. The City's appropriation resolution is generally passed during the May preceding the year in which the planned expenditures relate. Subsequent amendments are made to avoid unfavorable variances from the original budget. Related resolutions are made to state the purpose and amount of the changes. The City Mayor has the responsibility to enforce the budget. Unused appropriations do not carry forward to the next year.

The budget document presents information by fund, function, department and line items. The legal level (the level at which expenditures may not legally exceed appropriations) of budgetary control adopted by the Council is at the department (activity) level.

The City Council must approve budget amendments at the activity level and supplemental appropriations, which affect total fund expenditures. The Treasurer can transfer appropriations between line items within a department or activity without governing body approval.

Supplemental appropriations were necessary during the year, which increased total expenditures.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

P.A. 2 of 1968 as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated in budget resolutions of the governing body.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the City of Lake Angelus incurred expenditures in certain budgeted funds which were significantly in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Activity</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>	<u>Budget Variance</u>
General	City Council	\$ 31,975	\$ 39,338	\$ 7,363
Major Road	Road maintenance	12,070	39,976	27,906

NOTE D - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The City is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The City Council has designated various banks for the deposit of City funds. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in all of the State statutory authorities as listed above.

The City of Lake Angelus' deposits and investment policy are in accordance with statutory authority and the investment policy of the City. At the end of the year, the carrying amount of the City's deposits were \$395,675 (reconciled), the unreconciled bank balance was \$413,705, of the deposits \$222,150 was covered by federal depository insurance. Cash deposits are not collateralized.

CITY OF LAKE ANGELUS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE D - Deposits and Investments (continued)

The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

During the period of tax collection (July-February), cash deposits held by the City may significantly exceed the amounts as of the balance sheet date.

At year-end, the City's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and Cash Equivalents	\$ 395,022	\$ 420	\$ 395,442
Investments	329,000		329,000
Restricted Assets	105,233		105,233
Total	\$ 829,255	\$ 420	\$ 829,675

The breakdown between deposits and investments is as follows:

	Primary Government
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 395,675
Investments in Securities, Mutual Funds and Similar Vehicles	434,000
Total	\$ 829,675

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. Investments are categorized into these categories of credit risk:

1. Insured or registered, or securities held by the City or its agent in the City's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department of agent but not in the City's name.

At year-end, the government's investment balances were categorized as follows:

	Category			Reported Amount (Fair Value)
	1	2	3	
Primary Government:				
U.S. Government Securities	\$	\$	\$	\$
Commercial Paper				
Repurchase Agreements				
Subtotal	\$	\$	\$	\$

Investment Not Subject to Categorization:
Municipal Investment Fund

\$ 434,000

The Municipal Investment Fund is not categorized because it is not evidenced by securities that are in physical or book entry form. The Municipal Investment Fund represents a pooling of investments held by the trust department of the bank, and are not subject to general creditors of the bank and therefore are not subject to federal depository insurance; all activity is regulated by the Michigan Banking Act. The fair value of the position in the Municipal Investment Fund is the same as the value of the pool shares. Management believes that the investments of the City comply with the investment authority as noted above, and the investment policy of the City.

CITY OF LAKE ANGELUS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE D - Deposits and Investments (continued)Restrictions

Reflected on the balance sheet are restricted cash and cash equivalents detailed as follows:

<u>General Fund</u>	
Cash and cash equivalents:	
Deposits	\$ 233
Investments	<u>105,000</u>
	<u>\$105,233</u>

The assets of the General fund are restricted for the environmental expenditures.

NOTE E - Capital Assets

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Real property and improvements	\$ 410,814	\$	\$	\$ 410,814
Recreation - land and buildings	568,500			568,500
Recreation - wildlife refuge	<u>226,200</u>			<u>226,200</u>
Subtotal	<u>\$1,205,514</u>	<u>\$</u>	<u>\$</u>	<u>\$1,205,514</u>
Capital Assets Being Depreciated:				
City hall and furnishings	\$ 61,972	\$	\$	\$ 61,972
Dam control structure	36,300			36,300
Public safety	133,285	81,164		214,449
Real property and improvements	88,384	36,577		104,961
Recreation - land and buildings	84,336	4,385		88,721
Recreation - wildlife refuge	15,364			15,364
Recreation - tennis courts	<u>41,493</u>			<u>41,493</u>
Subtotal	<u>\$ 441,134</u>	<u>\$ 122,126</u>	<u>\$</u>	<u>\$ 563,260</u>
Less Accumulated Depreciation:				
City hall and furnishings	\$ 48,365	\$ 2,445	\$	\$ 50,810
Dam control structure	16,254	726		16,980
Public safety	75,429	15,437		90,866
Real property and improvements	11,699	3,419		15,118
Recreation - land and buildings	63,819	3,822		67,641
Recreation - wildlife refuge	15,364			15,364
Recreation - tennis courts	<u>37,500</u>	<u>558</u>		<u>38,058</u>
Subtotal	<u>\$ 268,430</u>	<u>\$ 26,407</u>	<u>\$</u>	<u>\$ 294,837</u>
Net Capital Assets Being Depreciated	<u>\$ 172,704</u>	<u>\$ 95,719</u>	<u>\$</u>	<u>\$ 268,423</u>
Governmental Activities Capital Total				
Capital Assets-Net of Depreciation	<u>\$1,378,218</u>	<u>\$ 95,719</u>	<u>\$</u>	<u>\$1,473,937</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 6,591
Public Safety	15,436
Recreation and Culture	<u>4,380</u>
Total Governmental Activities	<u>\$26,407</u>

CITY OF LAKE ANGELUS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE F - Interfund Receivables, Payables and Transfers

The following are the interfund receivables at June 30, 2004:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General Fund	Major Road Fund	\$ 100
	Tax Collection Fund	420
	Total General Fund	\$ 520
Local Road Fund	General Fund	575
	Total interfund receivable	<u>\$1,095</u>

These balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers

	<u>Transfers (Out)</u>
Transfers in	<u>Major Road Fund</u>
Local Road Fund	\$ <u>2,489</u>

NOTE G - Restricted Assets

The balances of the restricted asset accounts are as follows:

General Fund:	
Environmental	<u>\$105,233</u>

NOTE H - Fire Protection Agreement:

Effective July 1, 2002 the City has entered into a fire protection agreement with Waterford Township. The services the Township shall provide for the City includes fire fighting and response, arson investigation and follow-up, EMS response, and dispatch services for fire, police and EMS calls. The term of this agreement is from July 1, 2002 to December 31, 2012. Effective June 1, 2003, the Township shall no longer provide police dispatch or other police services to the City.

Commencing January 1, 2003, the City shall pay to the Township for services hereunder, four (4) equal quarterly payments of \$35,437.50, due and payable on January 1, 2003, April 1, 2003, June 1, 2003, and October 1, 2003 for services for the year 2003. As a result of the discontinuance of police dispatch services on June 1, 2003, the City shall be given a credit from its October 1, 2003 payment to the Township in the amount of \$18,900.00

As part of the agreement, the City has purchased for the Township a fire truck in the amount of \$356,079 along with fire equipment in the amount of \$55,220 during the year ended June 30, 2003. Title to the fire truck and equipment is in the name of the Township and therefore, is not reflected in the City's general fixed assets. The Township also maintains insurance coverage for the fire truck and equipment. At the termination of the fire protection agreement for any reason or if the agreement is not renewed at the end of the original ten year period provided for in the agreement, the Township shall assign title of the fire truck to the City. In respect to the fire equipment, the City may request one or more of the items of equipment, in which case the Township shall release to the City free of any claim of the Township.

Commencing in the year 2004, and each calendar year thereafter, the annual payments shall be increased by an amount equal to an annual escalator of 5% per year, and paid in equal quarterly payments as in year 2003.

CITY OF LAKE ANGELUS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE I - Equity:

Fund balances have been reserved and designated for the following purposes:

	<u>General Fund</u>
Reserved:	
Environmental expenditures	\$ 105,233
Building code enforcement	16,776
	<u>\$ 122,009</u>

NOTE J - Risk Management:

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for health and worker's compensation claims. The City participates in the Michigan Municipal Risk Management Authority state pool for claims relating to property loss, torts, errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority state pool program operates as a common risk-sharing management program; state pool member premiums are aggregated and used to purchase excess insurance coverage, some of which is underwritten by the Authority.

NOTE K - Litigation and Contingent Liabilities:

The City is a defendant in various litigations. The City attorney and management are of the opinion that any potential liability resulting from these cases, either can not be determined, is not material or should be within the insurance coverage of the City, therefore, is not reflected in the financial statements.

NOTE L - Building Permit Fund:

As per Public Act 245 of 1999 the building permit schedule of revenues and expenditures for the year is detailed below:

Revenues:	
Building permits (including electrical, heating and plumbing)	\$11,730
Expenditures:	
Inspections	19,140
Excess of revenues over (under) expenditures	\$(7,410)
Balance at July 1, 2003	24,186
Balance at June 30, 2004	<u>\$16,776</u>

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF LAKE ANGELUS, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
STATEMENT OF REVENUES

For the Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Taxes:				
Current taxes	\$ 546,572	\$ 546,572	\$ 543,263	\$ (3,309)
Administration fee	545	545	545	
Interest and penalty			2,291	2,291
	<u>\$ 547,117</u>	<u>\$ 547,117</u>	<u>\$ 546,098</u>	<u>\$ (1,018)</u>
Licenses and permits	16,300	16,300	11,730	(4,570)
State sources - state revenue sharing	28,366	28,366	26,875	(1,491)
Fines and forfeitures	13,500	13,500	8,235	(5,265)
Interest earnings	21,145	21,145	20,198	(947)
Other revenue:				
Cable TV	4,500	4,500	3,348	(1,152)
Consent judgments	19,770	19,770	20,242	472
Miscellaneous	4,150	4,150	967	(3,183)
Total other revenue	<u>\$ 28,420</u>	<u>\$ 28,420</u>	<u>\$ 24,558</u>	<u>\$ (3,862)</u>
Total revenues	<u>\$ 654,848</u>	<u>\$ 654,848</u>	<u>\$ 637,693</u>	<u>\$ (17,154)</u>
Other financing sources - appropriation of fund balance		135,263		(135,263)
Total revenues and other financing sources	<u>\$ 654,848</u>	<u>\$ 790,111</u>	<u>\$ 637,693</u>	<u>\$ (152,417)</u>

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF LAKE ANGELUS, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
STATEMENT OF EXPENDITURES

For the Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
General Government:				
City Council:				
Legal fees- general	\$ 20,000	\$ 20,000	\$ 28,477	\$ (8,477)
Legal fees- court costs	500	500	1,309	(809)
Audit fee	6,975	6,975	5,323	1,652
Memberships	2,000	2,000	1,377	623
Council expenses	2,500	2,500	2,852	(352)
	<u>\$ 31,975</u>	<u>\$ 31,975</u>	<u>\$ 39,338</u>	<u>\$ (7,363)</u>
Elections:				
Fees per diem	1,250	1,250	645	605
Notices	1,500	1,500	185	1,315
	<u>\$ 2,750</u>	<u>\$ 2,750</u>	<u>\$ 830</u>	<u>\$ 1,920</u>
Assessor:				
Assessing fee	10,640	10,640	10,640	
Other fees	100	100		100
Office supplies	200	200		200
	<u>\$ 10,940</u>	<u>\$ 10,940</u>	<u>\$ 10,640</u>	<u>\$ 300</u>
Clerk-Treasurer:				
Salaries	26,000	26,000	26,000	
Payroll taxes	2,080	2,080	1,823	257
Postage, stationery and printing	2,550	2,550	1,905	645
Computer services	175	175	264	(89)
Legal notices	2,000	2,000	1,222	778
	<u>\$ 32,805</u>	<u>\$ 32,805</u>	<u>\$ 31,214</u>	<u>\$ 1,591</u>
City Hall and grounds:				
Repairs and maintenance	2,800	2,800	2,487	313
Telephone	300	300	266	34
Utilities	650	650	692	(42)
	<u>\$ 3,750</u>	<u>\$ 3,750</u>	<u>\$ 3,446</u>	<u>\$ 304</u>
Other general services administration activities:				
Insurance- general	34,510	32,043	32,043	
Fireworks display	8,000	12,000	8,000	4,000
Street maintenance	4,150	4,150	440	3,710
Publication	300	300	290	10
Ordinance compilation	1,500	1,500		1,500
Environmental	19,500	19,500	17,165	2,335
Miscellaneous	7,083	15,083	9,823	5,260
	<u>\$ 75,043</u>	<u>\$ 84,576</u>	<u>\$ 67,761</u>	<u>\$ 16,815</u>
Total general government	<u>\$ 157,263</u>	<u>\$ 166,796</u>	<u>\$ 153,228</u>	<u>\$ 13,568</u>

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF LAKE ANGELUS, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
STATEMENT OF EXPENDITURES (CONTINUED)

For the Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Public safety:				
Police department:				
Salaries	163,386	163,386	184,259	(873)
Payroll taxes	16,339	16,339	13,988	2,371
Retirement	2,000	2,000		2,000
Education and training			150	(150)
Uniforms	2,000	2,000	1,869	131
Auto expense and repair	8,500	9,500	10,426	(926)
Boat expense	950	950	748	202
Insurance	24,000	25,300	24,805	495
Gas and Oil	10,000	10,000	9,514	486
Telephone	8,000	7,000	4,970	2,030
Utilities	3,200	3,200	3,801	(701)
Dispatch	8,500	10,000	9,856	144
Repairs and maintenance	300	2,500	454	2,046
Miscellaneous supplies	5,000	5,000	5,081	(81)
	<u>\$ 248,175</u>	<u>\$ 257,175</u>	<u>\$ 250,003</u>	<u>\$ 7,172</u>
Fire protection	128,000	239,630	126,394	113,237
Inspections	16,300	21,400	19,140	2,260
Planning commission	1,500	1,500	480	1,020
Total public safety	<u>\$ 393,975</u>	<u>\$ 519,705</u>	<u>\$ 396,018</u>	<u>\$ 123,689</u>
Culture and recreation:				
Repairs and maintenance	8,200	8,200	2,418	5,782
Miscellaneous	1,410	1,410	1,400	10
Total culture and recreation	<u>\$ 9,610</u>	<u>\$ 9,610</u>	<u>\$ 3,818</u>	<u>\$ 5,792</u>
Capital outlay:				
Public safety	93,000	93,000	81,165	11,835
Dam control structure	1,000	1,000		1,000
Total capital outlay	<u>\$ 94,000</u>	<u>\$ 94,000</u>	<u>\$ 81,165</u>	<u>\$ 12,835</u>
Total expenditures	<u>\$ 686,823</u>	<u>\$ 822,086</u>	<u>\$ 673,564</u>	<u>\$ 148,522</u>

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF LAKE ANGELUS, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
MAJOR ROAD FUND
STATEMENT OF REVENUES AND EXPENDITURES

For the Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
State source	\$ 9,824	\$ 9,824	\$ 9,954	\$ 130
Interest earnings	600	600	423	(177)
Total revenues	\$ 10,424	\$ 10,424	\$ 10,377	\$ (47)
Expenditures:				
Road maintenance	12,070	12,070	39,976	(27,906)
Administration	300	300	402	(102)
Total expenditures	\$ 12,370	\$ 12,370	\$ 40,378	\$ (28,008)
Excess of revenues over (under) expenditures	\$ (1,946)	\$ (1,946)	\$ (30,001)	\$ (28,055)
Other financing sources (uses):				
Operating transfers out	(2,456)	(2,456)	(2,489)	(33)
Appropriation of fund balance	4,402	4,402		(4,402)
Total other financing sources (uses)	\$ 1,946	\$ 1,946	\$ (2,489)	\$ (4,435)
Excess of revenues over (under) expenditures and other uses	\$	\$	\$ (32,490)	\$ (32,490)
Fund balance - July 1	82,966	82,966	82,966	
Fund balance - June 30	\$ 82,966	\$ 82,966	\$ 50,476	\$ (32,490)

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF LAKE ANGELUS, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
LOCAL ROAD FUND
STATEMENT OF REVENUES AND EXPENDITURES

For the Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
State source	\$ 3,276	\$ 3,276	\$ 3,892	\$ 616
Interest earnings	80	80	56	(24)
Total revenues	\$ 3,356	\$ 3,356	\$ 3,949	\$ 593
Expenditures:				
Road maintenance	5,512	5,512	3,607	1,906
Administration	300	300	400	(100)
Total expenditures	\$ 5,812	\$ 5,812	\$ 4,007	\$ 1,806
Excess of revenues over (under) expenditures	\$ (2,456)	\$ (2,456)	\$ (58)	\$ 2,398
Other financing sources (uses):				
Operating transfers in	2,456	2,456	2,489	33
Total other financing sources (uses)	\$ 2,456	\$ 2,456	\$ 2,489	\$ 33
Excess of revenues and other sources over (under) expenditures	\$	\$	\$ 2,431	\$ 2,431
Fund balance - July 1	14,961	14,961	14,961	
Fund balance - June 30	\$ 14,961	\$ 14,961	\$ 17,392	\$ 2,431

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF LAKE ANGELUS, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
IMPROVEMENT REVOLVING FUND
STATEMENT OF REVENUES AND EXPENDITURES

For the Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget Favorable (Unfavorable)</u>
Revenues:				
Interest earnings	\$	\$	\$ 522	\$ 522
Fund balance - July 1	<u>92,056</u>	<u>92,056</u>	<u>92,056</u>	
Fund balance - June 30	<u>\$ 92,056</u>	<u>\$ 92,056</u>	<u>\$ 92,579</u>	<u>\$ 522</u>

JANZ & KNIGHT, P.L.C. CERTIFIED PUBLIC ACCOUNTANTS

JANZ & KNIGHT, P.L.C.

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MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

August 30, 2004

To the City Council and Management of
the City of Lake Angelus, Michigan

Supplementing our report on audit of accounts of the City of Lake Angelus for the year ended June 30, 2004 we offer the following general management comments and recommendations:

1. We noted that the budget was amended during the year in an attempt to comply with budget requirements. Despite the amendments, expenditures exceeded budget amounts in various activities. Listed below are the significant budget overruns.

<u>Fund</u>	<u>Activity</u>	<u>Total</u> <u>Appropriation</u>	<u>Amount of</u> <u>Expenditure</u>	<u>Variance</u>
General	City Council	\$ 31,975	\$ 39,338	\$ 7,363
Major Road	Road Maintenance	12,070	39,976	27,906

We recommend that the City continue to review the budget and make amendments as needed.

2. All deposits recorded in the general ledger using Quickbooks should include the payor's name.

We would like to thank the Council for the opportunity to serve as auditors for the City, and to express our appreciation for the courtesy and cooperation extended to our staff during the course of our audit. We would be pleased to discuss the above items with the Council and to assist in the implementation of the recommendations.

This report is intended solely for the information and use of the City Council, management, and others within the administration. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Very truly yours,

Janz & Knight, P.L.C.

Certified Public Accountants

J&K/srz